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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**BY HAND DELIVERY**


Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

Re: ITTA Comments for Phase 3 of CAM and ARMIS Reporting  
Requirements Proceeding, CC Docket No. 00-199

Dear Ms. Salas:

Please find enclosed an original and four copies, plus one copy for date-stamp return receipt purposes, of the comments of the Independent Telephone & Telecommunications Alliance in *2000 Biennial Regulatory Review - Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 3*, Notice of Proposed Rulemaking in CC Docket No. 00-199, FCC 00-364 (rel. Oct. 18, 2000). If you have any questions or comments related to the submission of these comments, please do not hesitate to contact me directly at (202) 637-1008. Thank you for your consideration in this matter.

Truly yours,



Benoit Jacqmotte

Enclosures

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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

In the Matter of	)	
	)	
2000 Biennial Review --	)	CC Docket No. 00-199
Comprehensive Review of the Accounting	)	
Requirements and ARMIS Reporting	)	
Requirements for Incumbent Local Exchange	)	
Carriers: Phase 2 and Phase 3	)	

**PHASE 3 COMMENTS OF THE  
INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE**

The Independent Telephone & Telecommunications Alliance (ITTA) hereby submits its comments in the above-referenced proceeding.<sup>1</sup>

**I. INTRODUCTION**

ITTA refers the Commission to its comments and reply comments submitted in Phase 2 of this proceeding. The record in Phase 2 supports granting true Class B status to all incumbent local exchange carriers (ILECs) with less than \$7 billion in aggregate affiliated ILEC annual revenues (midsize carriers).<sup>2</sup> By doing so, the Commission would exempt these carriers from all Cost Allocation Manual and Automated Reporting Management Information System reporting requirements, in accordance with the Commission's long tradition of differentiated burdens for small and midsize carriers.

ITTA urges the Commission to make these changes to its rules in Phase 2 of this proceeding, as described in its Phase 2 comments and reply comments. To the extent the

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<sup>1</sup> 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3, Notice of Proposed Rulemaking in CC Docket No. 00-199, FCC 00-364 (rel. Oct. 18, 2000) (2000 Review Notice).

<sup>2</sup> See 47 C.F.R. Part 32, Appendix ("Mid-sized incumbent local exchange carrier is a carrier whose operating revenue equals or exceeds the indexed revenue threshold and whose revenue when aggregated with the revenues

Commission does not grant midsize carriers true Class B status on the basis of the record in Phase 2, ITTA strongly urges the Commission to do so in this phase, which will represent the next step towards progressive accounting deregulation. Competition is increasing in the local exchange market. Any arguments against the extension of true Class B status to all midsize carriers become increasingly irrelevant in the face of this expanding competition. In addition, in light of these changed market conditions, the Commission in Phase 3 should establish a date certain for the elimination of Part 32 regulations for midsize and smaller carriers.

## **II. THE COMMISSION MUST SUNSET ACCOUNTING REGULATION FOR MIDSIZE CARRIERS**

With respect to the Commission's recommendations and proposals in connection with the long-term transition to deregulation,<sup>3</sup> ITTA urges the Commission to be guided first and foremost by the principle of differentiated burdens. ITTA applauds the Commission's stated goals of significant deregulation as competition deepens in the local exchange market, especially for its recognition of the need for different deregulatory measures for midsize carriers.<sup>4</sup> The mandate of the 1996 Act, the Commission's own precedent, and the Independent Telecommunications Consumer Enhancement Act of 1996<sup>5</sup> is clear: not only do the burdens of regulation often outweigh the benefits when applied to such carriers, but the midsize carriers are also uniquely positioned to provide new and competitive services to traditionally underserved areas.<sup>6</sup> Rather than deploying any single trigger or procedure in connection with further ILEC deregulation, the Commission should refrain from taking any "one-size-fits-all" approach to

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of any local exchange carrier that it controls, is controlled by, or with which it is under common control is less than \$7 billion.").

<sup>3</sup> 2000 Review Notice at ¶¶ 87-98.

<sup>4</sup> *Id.*, especially ¶ 95.

<sup>5</sup> H.R. 3850, 106<sup>th</sup> Cong., 2d Sess.

<sup>6</sup> *Id.* at § 2(a)(4)-(6).

deregulation and pay particular attention to the unique features and attributes of the midsize carriers.

The Commission must take this opportunity to deregulate in order to promote competition, and must not wait for some distant day on which it is satisfied that competition has already arrived.<sup>7</sup> Indeed, the concept of cost allocation itself will become increasingly irrelevant as the market develops. Contrary to the Commission's suggestion,<sup>8</sup> a determination of non-dominance is not the proper metric for elimination of accounting and reporting requirements. As the drafters of the 1996 Act have made clear, the purpose of the 1996 Act is to "promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the deployment of new telecommunications technologies."<sup>9</sup>

If the Commission fails to seize this opportunity to adopt meaningful accounting and cost allocation relief for midsize carriers, it will demonstrate a fundamental lack of commitment to the process of deregulation. Midsize carriers – which serve less than 7% of the lines subject to formal reporting obligations – cannot be viewed as a central focus of the Commission's accounting and reporting processes and truly represent prime candidates for relief. Until now, the Commission has made little real progress towards the goal of accounting deregulation, while continuing to add substantially to the regulatory burden on midsize and

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<sup>7</sup> See Stephen Labaton, *New F.C.C. Chief Would Curb Agency Reach*, N.Y. TIMES, Feb. 6, 2001, at C1 (quoting Commission Chairman Michael K. Powell: "I do not believe deregulation is like a dessert that you serve after people have fed on their vegetables and is a reward for the creation of competition. I believe that deregulation is instead a critical ingredient to facilitating competition, not something to be handed out after there is a substantial number of players in the market.").

<sup>8</sup> 2000 Review Notice at ¶ 89.

<sup>9</sup> Joint Statement of Managers, S. Conf. Rep. No. 104-230, 104<sup>th</sup> Cong. 2d Sess. 1 (1996) (cited in *2000 Biennial Regulatory Review – Telecommunications Service Quality Reporting Requirements*, Notice of Proposed Rulemaking in CC Docket No. 00-229, FCC 00-399 (rel. Nov. 9, 2000)).

smaller carriers. It is time for the Commission to reverse this trend, and to show instead that its deregulatory processes are more than mere exercises in futility.

The Commission should therefore adopt a date certain for eliminating all further accounting and reporting requirements for midsize and smaller carriers under Part 32 of its rules. As in other industries, the antitrust laws will remain an effective deterrent to predatory pricing and unlawful cross-subsidization, and the Commission will still have the ability to require LECs to justify their rates and practices, whenever necessary. Allowing the LECs to function as in a normal market is the best manner of accelerating the development of competition in local markets.

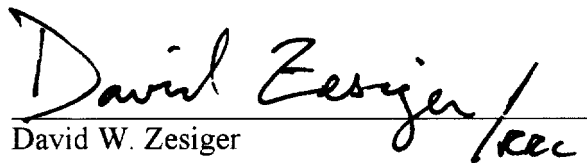
In accordance with the mandate of the 1996 Act and expanding competition in the local exchange market, the Commission must proactively deregulate in order to facilitate the development of competition. Termination of all Part 32 accounting and reporting requirements in the absence of barriers to local market entry will help eliminate outdated burdens that no longer serve the public interest.

### III. CONCLUSION

ITTA strongly urges the Commission to (i) grant midsize carriers true Class B status to the extent it has not done so in Phase 2 of this proceeding; (ii) continue applying differentiated burdens for midsize and smaller carriers in recognition of their unique attributes and to facilitate the development of competition in the marketplace, as mandated by the 1996 Act; and (iii) to establish a date certain on which to sunset all accounting and cost allocation requirements for midsize carriers.

Respectfully submitted,

THE INDEPENDENT TELEPHONE &  
TELECOMMUNICATIONS ALLIANCE

Handwritten signature of David W. Zesiger in black ink, with a stylized 'Z' and 'W'.

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Handwritten signature of Richard R. Cameron in black ink, with a stylized 'R' and 'C'.

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February 13, 2001